

NORTH IOWA AREA COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2016

- Prepared By -

Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616-2036  
Phone (641) 257-4222

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>OFFICIALS</u></b> . . . . .	1
<b><u>INDEPENDENT AUDITOR'S REPORT</u></b> . . . . .	2-3
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u></b> . . . . .	4-6
<b><u>BASIC FINANCIAL STATEMENTS:</u></b>	
	<b><u>Exhibit</u></b>
Statement of Net Position . . . . .	7
Statement of Revenues, Expenses and Changes in Net Position . . . . .	8
Statement of Cash Flows . . . . .	9
Notes to Financial Statements . . . . .	10-20
<b><u>REQUIRED SUPPLEMENTARY INFORMATION:</u></b>	
Schedule of the Agency's Proportionate Share of the Net Pension Liability. . . . .	21
Schedule of Agency Contributions. . . . .	22
Notes to Required Supplementary Information - Pension Liability. . . . .	23
<b><u>SUPPLEMENTARY INFORMATION:</u></b>	
	<b><u>Schedule</u></b>
Statement of Selected Project Costs and Computation of Selected Project Grants . . . . .	24-27
Schedule of Expenditures of Federal Awards . . . . .	28-29
<b><u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u></b> . . . . .	
	30-31
<b><u>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</u></b> . . . . .	
	32-33
<b><u>SCHEDULE OF FINDINGS</u></b> . . . . .	34-36

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**

**OFFICIALS**

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>County</b></u>	<u><b>Term Expires</b></u>
Casey Callanan	Member	Cerro Gordo	Indefinite
Brian Crowell	Member	Cerro Gordo	Indefinite
David Vikturek	Treasurer	Cerro Gordo	Indefinite
James Erb	Vice-Chair	Floyd	Indefinite
J.R. Ackley	Secretary	Floyd	Indefinite
Doug Kamm	Member	Floyd	Indefinite
Roy Ahrends	Member	Franklin	Indefinite
Corey Eberling	Member	Franklin	Indefinite
Mark Brown	Member	Franklin	Indefinite
Ron Sweers	Member	Hancock	Indefinite
Dwight Leerar	Member	Hancock	Indefinite
Gary Gelner	Member	Hancock	Indefinite
Harley Kohlhaas	Member	Kossuth	Indefinite
Don McGregor	Member	Kossuth	Indefinite
Susan Bangert	Member	Kossuth	Indefinite
Vacant	Member	Mitchell	Indefinite
Rick Bodensteiner	Member	Mitchell	Indefinite
Stan Walk	Chair	Mitchell	Indefinite
Cassie Johnson	Member	Winnebago	Indefinite
Mike Stensrud	Member	Winnebago	Indefinite
Candy Hanna	Member	Winnebago	Indefinite
Merlin Bartz	Member	Worth	Indefinite
Terry Steinmetz	Member	Worth	Indefinite
Joyce Russell	Member	Worth	Indefinite
Ned Wicker	Member	At-Large	Indefinite



**Larry Pump, CPA**  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiainet

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
North Iowa Area Council of Governments  
Mason City, IA 50401

### Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the North Iowa Area Council of Governments (NIACOG), as of and for the year ended June 30, 2016, and the related Notes to Financial Statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NIACOG as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of the Agency Contributions on pages 4 through 6 and 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NIACOG's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 20, 2016 on my consideration of NIACOG's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NIACOG's internal control over financial reporting and compliance.



Charles City, Iowa  
December 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

North Iowa Area Council of Governments (NIACOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. I encourage readers to consider this information in conjunction with NIACOG's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- NIACOG's operating revenues increased 9%, or \$841,875, from fiscal 2015 to fiscal 2016, due to an increase in CDBG activity compared to the prior year.
- NIACOG's operating expenses were 4%, or \$375,038 higher in fiscal 2016 than in fiscal 2015, due mainly to increased costs associated with CDBG award payments.
- NIACOG's net position increased 17%, or \$797,155, from June 30, 2015 to June 30, 2016, due to federal funds received.

### **USING THIS ANNUAL REPORT**

The North Iowa Area Council of Governments is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to NIACOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of NIACOG's financial activities.

The Statement of Net Position presents information on NIACOG's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NIACOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether NIACOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in NIACOG's cash and cash equivalents during the year. This information can assist the readers of the report in determining how NIACOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## FINANCIAL ANALYSIS OF THE AGENCY

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of NIACOG's financial position. NIACOG's net position for fiscal 2016 totaled approximately \$5,571,052. This compares to approximately \$4,773,897 at the end of fiscal 2015. A summary of NIACOG's net position is presented below.

Net Position		June 30,	
		2016	2015
Current assets		\$4,157,782	\$2,869,013
Non-current assets		300,633	267,112
Capital assets at cost, less accumulated depreciation		3,234,699	3,004,150
Total assets		<u>\$7,693,114</u>	<u>\$6,140,275</u>
Deferred outflows of resources		\$ 249,625	\$ 129,085
Current liabilities		\$1,383,899	\$ 591,822
Noncurrent liabilities		788,153	654,162
Total liabilities		<u>\$2,172,052</u>	<u>\$1,245,984</u>
Deferred inflows of resources		\$ 199,635	\$ 249,479
Net position:			
Reserved		\$ 745,240	\$ 567,019
Unreserved		<u>4,825,812</u>	<u>4,206,878</u>
Total net position		<u>\$5,571,052</u>	<u>\$4,773,897</u>

### Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented below:

Changes in Net Position		Year ended June 30,	
		2016	2015
Operating Revenues:			
Grants		\$ 7,874,076	\$6,841,196
Program reimbursements and other local sources		2,799,220	2,990,225
Total operating revenues		<u>\$10,673,296</u>	<u>\$9,831,421</u>
Operating Expenses		<u>9,920,329</u>	<u>9,545,291</u>
Operating income (loss)		\$ 752,967	\$ 286,130
Non-operating revenues, net		44,188	26,259
Change in net position		\$ 797,155	\$ 312,389
Net position beginning of year		<u>4,773,897</u>	<u>4,461,508</u>
Net position end of year		<u>\$ 5,571,052</u>	<u>\$4,773,897</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$797,155, mainly due to federal funds received.
- NCRERC expenses for the year were \$95,319 and revenues were \$117,698. Future revenues and expenses will vary depending on incident response activity.
- State and Federal Transit Operating Assistance for the year totaled \$1,271,027. These same funding sources for the previous fiscal year totaled \$1,317,485. The increase was in State Transit Assistance.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

#### **CAPITAL ASSETS**

At June 30, 2016, NIACOG had approximately \$3,234,699 invested in capital assets, net of accumulated depreciation of approximately \$6,091,672. Depreciation expense totaled \$452,439 for fiscal year 2016. More detailed information about NIACOG's capital assets is presented in Note 4 to the financial statements.

#### **ECONOMIC FACTORS**

In the upcoming year, NIACOG will continue to maximize efficiencies related to providing transit services for Region 2. Under the terms of their 28E agreement, NIACOG and the City of Mason City will continue to share in ongoing costs to operate and maintain the facility.

In the fall of 2008, NIACOG was selected to administer disaster assistance funds under the State and Federal Jumpstart programs for an expanded 22 county region. Federal grant revenue and related administrative expenses increased in 2016 as additional programs had activity. Program activity related to newer disaster assistance grants from fiscal 2010 continued into fiscal year 2016. For fiscal year 2017, NIACOG has also continued its involvement in the administration of various grants for urban revitalization, housing rehabilitation and economic development throughout the region.

#### **CONTACTING NIACOG'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of NIACOG's finances and to show NIACOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact North Iowa Area Council of Governments, 525 6<sup>th</sup> Street SW, Mason City, IA 50401.



## Basic Financial Statements

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,123,111	\$ 104,968	\$2,228,079
Accounts receivable	1,825,202	471	1,825,673
Prepaid expenses	16,002	-	16,002
Notes receivable	87,124	-	87,124
Other receivables	904	-	904
Total current assets	<u>\$ 4,052,343</u>	<u>\$ 105,439</u>	<u>\$4,157,782</u>
Noncurrent assets:			
Notes receivable	<u>\$ 300,633</u>	<u>\$ -</u>	<u>\$ 300,633</u>
Fixed assets:			
Land	\$ 157,711	\$ -	\$ 157,711
Building	2,640,644	-	2,640,644
Construction in progress	135,138	-	135,138
Equipment	339,226	112,144	451,370
Vehicles - unrestricted	1,164,622	62,516	1,227,138
Vehicles - restricted	4,714,370	-	4,714,370
Total	<u>\$ 9,151,711</u>	<u>\$ 174,660</u>	<u>\$9,326,371</u>
Less accumulated depreciation	<u>(5,928,249)</u>	<u>( 163,423)</u>	<u>(6,091,672)</u>
Net fixed assets	<u>\$ 3,223,462</u>	<u>\$ 11,237</u>	<u>\$3,234,699</u>
<b>Total assets</b>	<b><u>\$ 7,576,438</u></b>	<b><u>\$ 116,676</u></b>	<b><u>\$7,693,114</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>\$ 249,625</u>	<u>\$ -</u>	<u>\$ 249,625</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Trade accounts payable	\$ 162,800	\$ -	\$ 162,800
Unearned income	25,020	-	25,020
Accrued payroll liabilities	3,674	-	3,674
Accounts payable for award payments	1,144,725	-	1,144,725
Accrued benefits payable	47,680	-	47,680
<b>Total current liabilities</b>	<b><u>\$ 1,383,899</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,383,899</u></b>
Noncurrent liabilities:			
Net pension liability	<u>\$ 788,153</u>	<u>\$ -</u>	<u>\$ 788,153</u>
<b>Total Liabilities</b>	<b><u>\$ 2,172,052</u></b>	<b><u>\$ -</u></b>	<b><u>\$2,172,052</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues:			
Pension related deferred inflows	<u>\$ 199,635</u>	<u>\$ -</u>	<u>\$ 199,635</u>
<b>NET POSITION:</b>			
Reserved (Note 2)	\$ 745,240	\$ -	\$ 745,240
Unreserved	<u>4,709,136</u>	<u>116,676</u>	<u>4,825,812</u>
<b>Total net position</b>	<b><u>\$ 5,454,376</u></b>	<b><u>\$ 116,676</u></b>	<b><u>\$5,571,052</u></b>

*See Notes to Financial Statements.*

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016

	NIACOG	NCRERC	Total
<b>OPERATING REVENUES:</b>			
Federal funds	\$7,306,997	\$ 5,900	\$ 7,312,897
State funds	561,179	-	561,179
Local funds	2,687,422	111,798	2,799,220
Total operating revenues	<u>\$10,555,598</u>	<u>\$ 117,698</u>	<u>\$10,673,296</u>
<b>OPERATING EXPENSES:</b>			
Salaries	\$1,110,532	\$ -	\$ 1,110,532
Employee benefits	251,719	-	251,719
Contracted services	97,473	12,000	109,473
Advertising	56,752	-	56,752
Telephone	4,851	-	4,851
Printing	5,857	-	5,857
Supplies	20,525	-	20,525
Travel	13,245	-	13,245
Postage	2,965	-	2,965
Conferences	2,728	1,224	3,952
Dues and memberships	9,157	100	9,257
Professional fees	11,300	-	11,300
Miscellaneous	7,019	704	7,723
Insurance	70,594	10,854	81,448
Repairs and maintenance	177,983	595	178,578
Utilities	29,983	-	29,983
Equipment	-	15,952	15,952
Depreciation	448,044	4,395	452,439
Transit provider payments	1,502,697	-	1,502,697
Program awards	5,736,028	-	5,736,028
Services	-	42,172	42,172
Training	-	7,323	7,323
Fuels and lubricants	61,863	-	61,863
Materials and supplies	203,695	-	203,695
Total operating expenses	<u>\$9,825,010</u>	<u>\$ 95,319</u>	<u>\$ 9,920,329</u>
Operating Income	<u>\$ 730,588</u>	<u>\$ 22,379</u>	<u>\$ 752,967</u>
Non-operating revenues (expenses):			
Interest income	\$ 16,351	\$ 814	\$ 17,165
Interest expense	(777)	-	(777)
Gain on sale of equipment	27,800	-	27,800
Net non-operating revenues (expenses)	<u>\$ 43,374</u>	<u>\$ 814</u>	<u>\$ 44,188</u>
Change in net position	\$ 773,962	\$ 23,193	\$ 797,155
Net position beginning of year	<u>4,680,414</u>	<u>93,483</u>	<u>4,773,897</u>
<b>Net position end of year</b>	<b><u>\$5,454,376</u></b>	<b><u>\$ 116,676</u></b>	<b><u>\$ 5,571,052</u></b>

See Notes to Financial Statements.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from federal operating grants	\$ 5,847,249	\$ 5,900	\$ 5,853,149
Cash received from state operating grants	543,597	-	543,597
Cash received from program reimbursements	2,650,377	116,841	2,767,218
Cash paid for salaries and benefits	(1,411,526)	-	(1,411,526)
Cash paid for other suppliers of goods and services	(7,236,641)	(92,460)	(7,329,101)
Net cash provided (used) by operating activities	<u>\$ 393,056</u>	<u>\$ 30,281</u>	<u>\$ 423,337</u>
Cash flows from capital and related financing activities:			
Net acquisition of fixed assets	\$ (682,988)	\$ -	\$ (682,988)
Cash received from asset sales	27,800	-	27,800
Cash received from federal capital grants	442,405	-	442,405
Cash received from short term debt funds	178,844	-	178,844
Cash used to repay short-term debt	(178,844)	-	(178,844)
Net cash (used) by capital and related financing activities	<u>\$ (212,783)</u>	<u>\$ -</u>	<u>\$ (212,783)</u>
Cash flows from investing activities:			
Interest received	\$ 16,351	\$ 814	\$ 17,165
Interest paid	(777)	-	(777)
Cash advanced for notes receivable	(126,028)	-	(126,028)
Cash received from notes receivable	72,724	-	72,724
Net cash provided (used) by investing activities	<u>\$ (37,730)</u>	<u>\$ 814</u>	<u>\$ (36,916)</u>
Net increase (decrease) in cash	\$ 142,543	\$ 31,095	\$ 173,638
Cash and cash equivalents beginning of year	<u>1,980,568</u>	<u>73,873</u>	<u>2,054,441</u>
<b>Cash and cash equivalents end of year</b>	<b><u>\$ 2,123,111</u></b>	<b><u>\$ 104,968</u></b>	<b><u>\$ 2,228,079</u></b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 730,588	\$ 22,379	\$ 752,967
Adjustments for long-term non-cash items:			
Depreciation	448,044	4,395	452,439
Revenues and expenses not classified as operating	(442,405)	-	(442,405)
Changes in assets and liabilities:			
(Increase) in prepaid insurance	(3,401)	-	(3,401)
(Increase) decrease in accounts receivable	(1,096,990)	5,043	(1,091,947)
(Decrease) in accounts payable	(145,495)	(1,536)	(147,031)
(Decrease) in accrued benefits payable	(12,882)	-	(12,882)
Increase in accrued payroll tax liabilities	3,674	-	3,674
Increase in unearned revenue	25,020	-	25,020
Increase in program awards payable	923,296	-	923,296
(Increase) in deferred outflow of resources	(120,540)	-	(120,540)
(Decrease) in deferred inflow of resources	(49,844)	-	(49,844)
Increase in net pension liability	133,991	-	133,991
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 393,056</u></b>	<b><u>\$ 30,281</u></b>	<b><u>\$ 423,337</u></b>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 777</u>

*See Notes to Financial Statements.*

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**(1) Organization**

The North Iowa Area Council of Governments (NIACOG) is an Inter- Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 2 which includes Cerro Gordo, Floyd, Hancock, Worth, Kossuth, Mitchell, Franklin, and Winnebago counties. NIACOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). NIACOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. NIACOG also provides transportation services to the elderly, disabled and rural areas through the Region Two Transit System. In performing its duties, NIACOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, NIACOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with NIACOG are such that exclusion would cause NIACOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of NIACOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on NIACOG. NIACOG has one component unit which meets the Governmental Accounting Standards Board criteria. The North Central Regional Emergency Response Commission (NCRERC) is a committee established under a 28E agreement with NIACOG. Its purpose is to implement joint and cooperative action in training and response activities of hazardous materials for Region 2.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accounts of NIACOG are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**(b) Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

NIACOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

NIACOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the NIACOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are deposited in bank accounts. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners and businesses.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by NIACOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Building	5,000
Improvements other than buildings	5,000
Equipment	5,000
Vehicles	5,000

Capital assets of NIACOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Building	40
Improvements other than buildings	15
Equipment	5-10
Vehicles	5

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2016.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

Reserved Net Position - Reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

NIACOG's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(3) Cash and Investments - continued**

NIACOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NIACOG and NCRERC had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - NIACOG'S investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of NIACOG.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NIACOG</u>				
Land	\$ 157,711	\$ -	\$ -	\$ 157,711
Building	2,640,644	-	-	2,640,644
Construction in progress	-	135,138	-	135,138
Equipment	338,594	6,811	6,179	339,226
Vehicles	5,500,203	543,304	164,515	5,878,992
 Total capital assets being depreciated	 \$8,637,152	 \$ 685,253	 \$ 170,694	 \$9,151,711
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NCRERC</u>				
Equipment	\$ 112,144	\$ -	\$ -	\$ 112,144
Vehicles	62,516	-	-	62,516
 Total capital assets being depreciated	 \$ 174,660	 \$ -	 \$ -	 \$ 174,660



**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(4) Capital Assets** - continued

Depreciation activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
NIACOG				
Building	\$ 611,460	\$ 66,127	\$ -	\$ 677,587
Equipment	282,611	29,715	3,914	308,412
Vehicles	4,754,563	352,202	164,515	4,942,250
Total capital assets being depreciated, net	<u>\$5,648,634</u>	<u>\$ 448,044</u>	<u>\$168,429</u>	<u>\$5,928,249</u>

  

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
NCRERC				
Equipment	\$ 96,512	\$ 4,395	\$ -	\$ 100,907
Vehicles	62,516	-	-	62,516
Total capital assets being depreciated, net	<u>\$ 159,028</u>	<u>\$ 4,395</u>	<u>\$ -</u>	<u>\$ 163,423</u>

**(5) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(5) Pension Plan - continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2016 totaled \$98,094.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(5) Pension Plan - continued**

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Agency reported a liability of \$788,153 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's proportion was 0.015854%, which was a decrease of 0.000542% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$61,701. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,908	\$ -
Changes of assumptions	21,700	-
Net difference between projected and actual earnings on IPERS investments	117,923	183,518
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	-	16,117
Agency contributions subsequent to the measurement date	98,094	-
Total	<u>\$ 249,625</u>	<u>\$ 199,635</u>

\$98,094 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<u>Total</u>
2017	\$ (26,071)
2018	(26,071)
2019	(26,071)
2020	29,921
2021	(407)
Total	<u>\$ (48,699)</u>

There were no non-employer contributing entities to IPERS.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(5) Pension Plan - continued

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
<b>Total</b>	<b><u>100%</u></b>	

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(5) Pension Plan - continued**

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Agency's proportionate share of the net pension liability	\$1,379,914	\$ 788,153	\$ 288,664

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(6) Short-Term Notes Payable - Line of Credit**

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$1,000,000 at a variable rate of interest. The line of credit is used for disaster assistance program expenditures.

Short-term notes payable activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of year	Advances Received	Advances Repaid	Balance End of year
Line of credit	\$ -	\$ 178,844	\$ 178,844	\$ -

**(7) Risk Management**

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(7) Risk Management - continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2016 were \$120,505.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(7) Risk Management - continued

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employers liability coverage. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information



NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\* (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.015854%	0.016164%
Agency's proportionate share of the net pension liability	\$ 788	\$ 654
Agency's covered-employee payroll	\$ 1,098	\$ 1,093
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.77%	59.83%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

*See Accompanying Independent Auditor's Report.*

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF AGENCY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 98	\$ 96
Contributions in relation to the statutorily required contribution	<u>(98)</u>	<u>(96)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 1,098	\$ 1,093
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

*See Accompanying Independent Auditor's Report.*

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

## Supplementary Information

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS  
YEAR ENDED JUNE 30, 2016

	STA Operating Assistance	COG Assistance 2016-COG-01	Blgd Expansion STA-IG- 020-FY16	Elderly & Persons/ Disabilities PROJ #16 X005-020-15
Operating Expenses:				
Contractual Services	\$ 441,250	\$ 11,765	\$ 135,207	\$ -
Capital Outlay	-	-	-	-
Prior Year	-	-	-	1,027,930
Project Cost	\$ 441,250	\$ 11,765	\$ 135,207	\$1,027,930
Grant Participation in Project Cost	100%	100%	80%	80%
<b>Percentage Participation</b>	<b><u>\$ 441,250</u></b>	<b><u>\$ 11,765</u></b>	<b><u>\$ 108,166</u></b>	<b><u>\$ 822,344</u></b>
<b>Contract Amount</b>	<b><u>\$ 448,566</u></b>	<b><u>\$ 11,765</u></b>	<b><u>\$ 600,000</u></b>	<b><u>\$ 822,344</u></b>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 441,250	\$ 11,765	\$ 108,166	\$ 822,344
Less: Grant Payments received in current year	(441,250)	(11,765)	(90,582)	(35,970)
Less: Grant Payments received in prior year	-	-	-	(786,374)
<b>Grant Receivable/ (Payable)     at June 30, 2016</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,584</u></b>	<b><u>\$ -</u></b>

(continued)

<b>Elderly &amp; Persons/ Disabilities PROJ #16- X050-020-16</b>	<b>Nice 37-16- -20-15</b>	<b>Bus &amp; Bus Facilities PROJ 34- 0003-020-14</b>	<b>Congestin Mitigation &amp; Air Quality Improvement 85-0034-020-14</b>	<b>Non-Urban Surface Transportation PROJ 85- X033-020-15</b>	<b>15-RPA-02</b>
\$1,037,221	\$ 18,360	\$ -	\$ -	\$ -	\$ -
-	-	155,348	232,921	155,030	-
-	23,790	-	-	-	101,162
<u>\$1,037,221</u>	<u>\$ 42,150</u>	<u>\$ 155,348</u>	<u>\$ 232,921</u>	<u>\$ 155,030</u>	<u>\$ 101,162</u>
80%	50%	85%	80%	80%	80%
<b><u>\$ 829,777</u></b>	<b><u>\$ 21,075</u></b>	<b><u>\$ 132,046</u></b>	<b><u>\$ 186,335</u></b>	<b><u>\$ 124,024</u></b>	<b><u>\$ 80,929</u></b>
<b><u>\$ 829,777</u></b>	<b><u>\$ 39,788</u></b>	<b><u>\$ 155,550</u></b>	<b><u>\$ 217,600</u></b>	<b><u>\$ 152,000</u></b>	<b><u>\$ 124,157</u></b>
\$ 829,777	\$ 21,075	\$ 132,046	\$ 186,335	\$ 124,024	\$ 80,929
(696,934)	(10,255)	(132,046)	(186,335)	(124,024)	(30,304)
-	(8,494)	-	-	-	(50,625)
<b><u>\$ 132,843</u></b>	<b><u>\$ 2,326</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS  
YEAR ENDED JUNE 30, 2016

	<u>16-RPA-02</u>	<u>EDA 05-83- 05369-02</u>	<u>CDBG 08-DRB-002</u>	<u>CDGB 08-DRH-202</u>
Operating Expenses:				
Contractual Services	\$ 107,503	\$ 122,000	\$ 939,913	\$ 4,938,371
Capital Outlay	-	-	-	-
Prior Year	-	-	5,142,621	6,861,440
Project Cost	\$ 107,503	\$ 122,000	\$6,082,534	\$ 11,799,811
Grant Participation in Project Cost	80%	50%	100%	100%
<b>Percentage Participation</b>	<b><u>\$ 86,002</u></b>	<b><u>\$ 61,000</u></b>	<b><u>\$6,082,534</u></b>	<b><u>\$ 11,799,811</u></b>
<b>Contract Amount</b>	<b><u>\$ 127,072</u></b>	<b><u>\$ 61,000</u></b>	<b><u>\$9,044,843</u></b>	<b><u>\$ 15,554,508</u></b>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 86,002	\$ 61,000	\$6,082,534	\$ 11,799,811
Less: Grant Payments received in current year	(59,107)	(61,000)	(732,799)	(4,220,520)
Less: Grant Payments received in prior year	-	-	(5,134,921)	(6,630,876)
<b>Grant Receivable/(Payable)     at June 30, 2016</b>	<b><u>\$ 26,895</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 214,814</u></b>	<b><u>\$ 948,415</u></b>

*See Accompanying Independent Auditor's Report.*

<u>HAZMAT HMEP</u>	<u>Total</u>
\$ 5,900	\$ 7,757,490
-	543,299
-	<u>13,156,943</u>
\$ 5,900	\$21,457,732
<u>100%</u>	
<u><b>\$ 5,900</b></u>	<u><b>\$20,792,958</b></u>
<u><b>\$ 5,900</b></u>	<u><b>\$28,194,870</b></u>
\$ 5,900	\$20,792,958
(5,900)	(6,838,791)
-	<u>(12,611,290)</u>
<u><b>\$ -</b></u>	<u><b>\$ 1,342,877</b></u>



NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
<b>Direct:</b>			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-83-05369-02	\$ 61,000
Economic Adjustment Assistance	11.307	05-79-04733	419,477
Total Direct Awards			<u>\$ 480,477</u>
<b>Indirect:</b>			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Cerro Gordo County:			
Community Development Block Grant			
Program	14.228	08-DRH-202	\$4,938,371
	14.228	08-DRH-002	939,913
			<u>\$5,878,284</u>
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical			
Studies Grants:			
FHWA STP/SPR	20.205	16-RPA-02	<u>\$ 65,036</u>
Formula Grants for Other than Urbanized			
Areas:			
FTA 5311 New	20.509	16-RPA-02	\$ 20,966
Congestion Mitigation & Air Quality			
Improvement Project	20.509	85-0034-020-14	186,337
Non Urban Surface Transportation			
Project	20.509	85-X033-020-15	124,024
			<u>\$ 331,327</u>
Bus & Bus Facilities Project	20.526	34-003-020-14	<u>\$ 132,046</u>
Elderly and Persons with Disabilities	20.513	16-X005-020-16	\$ 829,777
Job Access Reverse Commute	20.516	37-X016-020-15	9,180
			<u>\$ 838,957</u>
Homeland Security and Emergency Management:			
Hazardous Material Public Sector			
Training	20.703	HMEP	<u>\$ 5,900</u>
Total Indirect Awards			<u>\$7,251,550</u>
<b>Total</b>			<u><b>\$7,732,027</b></u>

(continued)

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

Computation of CFDA Number 11.307-Economic Adjustment Assistance

	Grant Number 05-79-04733
Balance of RLF loans outstanding 6/30/16	\$ 341,848
RLF cash 6/30/16	140,310
Administrative expense paid out in 2016	-
Principal balance written off in 2016	-
Total	\$ 482,158
Federal percentage	87%
<b>Amount included on Schedule of Expenditures of Federal Awards</b>	<u><u>\$ 419,477</u></u>

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of NIACOG under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NIACOG, it is not intended to and does not present the financial position, changes in financial position or cash flows of NIACOG.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*See Accompanying Independent Auditor's Report.*



**Larry Pump, CPA**  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**  
**BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
North Iowa Area Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of NIACOG, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered NIACOG's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NIACOG's internal control. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of NIACOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in Part II of the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NIACOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted one immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### NIACOG's Responses to the Findings

NIACOG's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. NIACOG's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of NIACOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa  
December 20, 2016



**Larry Pump, CPA**  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL**  
**OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
North Iowa Area Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited North Iowa Area Council of Government's (NIACOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on NIACOG's major federal programs for the year ended June 30, 2016. NIACOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for NIACOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NIACOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of NIACOG's compliance.

Opinion on Each Major Federal Program

In my opinion, NIACOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of NIACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered NIACOG's internal control over compliance with the types of requirements that could have a

direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item III-A-16, I consider to be a material weakness.

NIACOG's response to the internal control over compliance finding identified in my audit is represented in the accompanying Schedule of Findings. NIACOG's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, I express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa  
December 20, 2016

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major programs were: CFDA Number 20.513 - Elderly Persons and Persons with Disabilities Project, CFDA Number 20.516 - Job Access-Reverse Commute, and CFDA Number 14.228 - Community Development Block Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) NIACOG did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-16      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, payroll and bank reconciliations are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, NIACOG should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. NIACOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
Schedule of Findings  
Year Ended June 30, 2016

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

CFDA Number 20.513: Elderly Persons and Persons with Disabilities Project.

Federal Award Year: 2016

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

CFDA Number 20.516: Job Access-Reverse Commute

Federal Award Year: 2016

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

CFDA Number 14.228: Community Development Block Grants

Federal Award Year: 2016

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development and Cerro Gordo County

III-A-16     Segregation of Duties over Federal Revenues and Expenses - As previously  
(2016-001) identified in the fiscal year 2015 audit report as item III-A-15, the  
Agency did not properly segregate custody, recordkeeping and reconciling  
functions for revenues and expenses, including those related to federal  
programs. See item II-A-16.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-16     Questionable Expenses - No expenses I believe may not meet the  
requirements of public purpose as defined in an Attorney General's  
opinion dated April 25, 1979 were noted.

IV-B-16     Travel Expense - No expenses of NIACOG money for travel expenses of  
spouses of NIACOG officials or employees were noted.

IV-C-16     Business Transactions - No business transactions between NIACOG and  
NIACOG officials or employees were noted.

IV-D-16     Bond Coverage - Surety bond coverage of NIACOG officials and employees  
is in accordance with statutory provisions. The amount of coverage  
should be reviewed annually to insure that the coverage is adequate for  
current operations.

IV-E-16     Deposits and Investments - No instances of non-compliance with the  
deposit and investment provisions of Chapter 12B and 12C of the Code of  
Iowa and the NIACOG's investment policy were noted.

IV-F-16     Board Minutes - No transactions were found that I believe should have  
been approved in the Board minutes but were not.



NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
Schedule of Findings  
Year Ended June 30, 2016

**Part IV: Other Findings Related to Required Statutory Reporting:-** continued

IV-G-16      Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency does not receive an image of the front or back of each cancelled check for several bank accounts.

Recommendation - The Agency should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa

Response - We will look into this.

Conclusion - Response acknowledged